

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 /087 W
-----221031Z 036872 /14

P R 220915Z MAR 77
FM AMEMBASSY TOKYO
TO SECSTATE WASDC PRIORITY 6317
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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TREASURY FOR SYVRUD AND SPRINGBORN

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: TOKYO FOREX MARKET DEVELOPMENTS

1. SUMMARY: DOLLAR FELL BELOW YEN 280 LEVEL FOR FIRST TIME IN ALMOST THREE YEARS IN HEAVY TRADING ON TOKYO FOREX MARKET. TUES, MARCH 22 MEDIAN SPOT RATE WAS YEN 279.70 PER DOLLAR, DOWN SHARPLY FROM FRIDAY MARCH 18 MEDIAN SPOT RATE OF YEN 281.60 PER DOLLAR. AFTER DECLINING TO YEN 279.10 EARLY IN MORNING SESSION, YEN FIRMED SLIGHTLY WITH SOME REPORTED BOJ SUPPORT TO CLOSE AT MEDIAN RATE. SPOT MARKET TRADING VOLUME WAS DOLS 236 MIL.

2. DOLLAR'S DECLINE FOLLOWED RELEASE THURS MARCH 17 OF BALANCE OF PAYMENTS DATA BY MOF INDICATING CONTINUING STRENGTH OF JAPAN'S TRADE AND CURRENT ACCOUNT BALANCES. TUESDAY'S
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DEVELOPMENTS ALSO FOLLOWED SHARP YEN APPRECIATION IN OVERSEAS MARKETS WHICH MAY HAVE STEMMED FROM SAT, MARCH 19 ARTICLE IN MAJOR JAPANESE NEWSPAPER (ASAHI SHIMBUN) THAT JAPAN WOULD INFORM USG DURING CURRENT BILATERAL TALKS AT WASHINGTON THAT JAPAN IS PREPARED TO ACCEPT "VIRTUAL REVALUATION OF YEN."

3. PART OF ASAHI ARTICLE WHICH REFERRED TO POSSIBILITY OF

FURTHER YEN APPRECIATION DESCRIBED POSITION GOJ WOULD TAKE IN US-JAPAN SUMMIT TALKS AS FOLLOWS: "TREND TOWARD STRONGER YEN WILL BE LEFT AS IS AND A VIRTUAL UPWARD VALUATION OF UP TO THE LEVEL OF 270 YEN TO ONE DOLLAR WILL BE ACCEPTED." ARTICLE ALSO NOTED THAT "ACCORDING TO A TENTATIVE CALCULATION MADE BY A GOVT SOURCE UNOFFICIALLY, IT IS SAID THAT IF THE PRESENT TREND CONTINUES, THE CURRENT ACCOUNTS FOR FISCAL 1977 WILL SHOW A SURPLUS BALANCE OF DOLS 2 BIL." IN FINAL REFERENCE TO GENERAL POLICY CONCERNING FOREIGN EXCHANGE RATES, ARTICLE SAID "STILL FURTHER, IN ORDER TO CURB THE U.S. DISSATISFACTION IN THE FIELD OF THE INTERNATIONAL PAYMENTS BALANCE, THE GOVT WILL CONFIRM ITS POLICY OF NON-INTERVENTION IN THE EXCHANGE MARKET (TO LEAVE THE HIGH-YEN TREND AS IT IS). AS THE BACKGROUND FOR THIS, IT HAS CONSOLIDATED THE INTENTION OF EVEN ACCEPTING THE HIGH-YEN TREND OF THE LEVEL OF ABOUT 270 YEN TO ONE DOLLAR, WHICH WILL BE THE EQUIVALENT TO A VIRTUAL 10 PERCENT OR SO REVALUATION OF THE YEN COMPARED WITH THE END OF LAST YEAR."

4. FORWARD DOLLARS ALSO GAVE UP STRENGTH WITH 3-MONTH FORWARD DOLLAR DECLINING TO YEN 280.80 AND 6-MONTH FORWARD DOLLARS AT YEN 281.15. FUTURES TRADING VOLUME WAS DOLS 82 MIL. BUTTON

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Message Attributes

Automatic Decaptioning: X
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Disposition Action: RELEASED
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